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## **HUAZHONG HOLDINGS COMPANY LIMITED**

### **華眾控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6830)**

#### **CONNECTED TRANSACTIONS IN RELATION TO ACQUISITION OF PROPERTIES**

##### **Sale and Purchase Agreement I**

On 24 October 2014, Ningbo Huazhong Plastic, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement I with Ningbo Huayou Properties, pursuant to which Ningbo Huayou Properties agreed to sell and Ningbo Huazhong Plastic agreed to purchase the Office Units I at a consideration of RMB29,269,458 (equivalent to approximately HK\$36,586,823) which will be satisfied by internal resources of the Group.

As at the date hereof, Ningbo Huayou Properties is owned as to 82% by Mr. Zhou Minfeng, the chairman of the Board of Directors of the Company, and 18% by 華翔集團股份有限公司 (Huaxiang Group Co., Ltd.\*), which is ultimately and beneficially owned by Mr. Zhou Minfeng's family members. Ningbo Huayou Properties is therefore a connected person of the Company under the Listing Rules. Accordingly, the purchase of the Office Units I by Ningbo Huazhong Plastic from Ningbo Huayou Properties constitutes a connected transaction for the Company under the Listing Rules.

##### **Sale and Purchase Agreement II**

On 24 October 2014, Changchun Huateng, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement II with Changchun Huayou Properties, pursuant to which Changchun Huayou Properties agreed to sell and Changchun Huateng agreed to purchase the Office Units II at a consideration of RMB10,280,800 (equivalent to approximately HK\$12,851,000) which will be satisfied by internal resources of the Group.

As at the date hereof, Changchun Huayou Properties is owned as to 49% by Mr. Zhou Minfeng and 51% by Ningbo Huayou Properties. Changchun Huayou Properties is therefore a connected person of the Company under the Listing Rules. Accordingly, the purchase of the Office Units II by Changchun Huateng from Changchun Huayou Properties constitutes a connected transaction for the Company under the Listing Rules.

Given Ningbo Huayou Properties and Changchun Huayou Properties are associates of Mr. Zhou Minfeng, the connected transactions in relation to the purchases of the Office Units shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

Since the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the purchases of the Office Units are, in aggregate, over 0.1% but less than 5%, the connected transactions in relation to the purchases of the Office Units are subject to the annual review and all disclosure requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

## INTRODUCTION

On 24 October 2014, Ningbo Huazhong Plastic, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement I with Ningbo Huayou Properties, pursuant to which Ningbo Huayou Properties agreed to sell and Ningbo Huazhong Plastic agreed to purchase the Office Units I at a consideration of RMB29,269,458 (equivalent to approximately HK\$36,586,823) which will be satisfied by internal resources of the Group.

On 24 October 2014, Changchun Huateng, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement I with Changchun Huayou Properties, pursuant to which Ningbo Huayou Properties agreed to sell and Changchun Huateng agreed to purchase the Office Units II at a consideration of RMB10,280,800 (equivalent to approximately HK\$12,851,000) which will be satisfied by internal resources of the Group.

## PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT I

**Date:** 24 October 2014

**Vendor:** Ningbo Huayou Properties

**Purchaser:** Ningbo Huazhong Plastic

**Property:** Flats 1-1, 2-2, 2-3, 2-4, 7-1, 7-2, 7-3, 9-2 and 9-3, Block 3, Lot III-7-D2 in Gaoxin District, Ningbo, Zhejiang Province, PRC, currently under construction by Ningbo Huayou Properties, and with a gross floor area of approximately 1,949 square meters upon completion of construction.

No rental income has previously been generated by the Office Units I.

**Consideration:** RMB29,269,458 (equivalent to approximately HK\$36,586,823), arrived at after arm's length negotiations between Ningbo Huayou Properties and Ningbo Huazhong Plastic based on the prevailing market price for similar properties transacted around the time of the negotiations. The consideration will be satisfied by the internal resources of the Group.

The consideration was also determined with reference to a property valuation report prepared by 寧波天潤資產評估有限公司 (Ningbo Tianrun Assets Evaluation Co, Ltd. \*), an independent property valuer qualified in the PRC and engaged by the Company. According to the said valuation report, which was prepared based on the comparison approach with reference to comparable transactions available in the market and adjustments for the specific furnishing conditions of the Office Units I, the value of the Office Units I was estimated at about RMB29,269,458 (equivalent to approximately HK\$36,586,823) as at 13 October 2014.

**Payment Terms:** The payment of consideration will be made in one lump sum on the date of signing of the Sale and Purchase Agreement I.

**Date of Completion:** On or before 31 December 2014

## PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT II

**Date:** 24 October 2014

**Vendor:** Changchun Huayou Properties

**Purchaser:** Changchun Huateng

**Property:** Flats 1502 to 1508, Block 11, Jingyue Development Zone, Changchun, Jilin Province, PRC, currently under construction by Ningbo Huayou Properties, and with a gross floor area of approximately 856 square meters upon completion of construction.

No rental income has previously been generated by the Office Units II.

**Consideration:** RMB10,280,800 (equivalent to approximately HK\$12,851,000), arrived at after arm's length negotiations between Changchun Huayou Properties and Changchun Huateng based on the prevailing market price for similar properties transacted around the time of the negotiations. The consideration will be satisfied by the internal resources of the Group.

The consideration was also determined with reference to a property valuation report prepared by 吉林仲謀資產評估有限公司 (JiLin ZhongMou Assets Appraisal Co, Ltd.), an independent property valuer qualified in the PRC and engaged by the Company. According to the said valuation report, which was prepared based on the comparison approach with reference to comparable transactions available in the market and adjustments for the specific furnishing conditions of the Office Units II, the value of the Office Units II was estimated at about RMB10,280,800 (equivalent to approximately HK\$12,851,000) as at 31 August 2014.

**Payment Terms:** The payment of consideration will be made in two instalments: (i) RMB5.2 million on the date of signing of the Sale and Purchase Agreement II and (ii) RMB5,080,800 within one month upon signing of the Sale and Purchase Agreement II.

**Date of Completion:** On or before 31 December 2016

## REASONS AND BENEFITS FOR THE TRANSACTIONS

The Office Units will be used as the Group's operational headquarters and product research and development centre with an aim to integrate the Group's resources and to enhance the overall competitiveness of the Group as a result.

The Directors, including the independent non-executive Directors, of the Company are of the view that the terms and conditions of the purchase of the Office Units are fair and reasonable and are in the interests of the Group and its Shareholders as a whole.

## **IMPLICATION UNDER THE LISTING RULES**

As at the date hereof, Ningbo Huayou Properties is owned as to 82% by Mr. Zhou Minfeng, the chairman of the Board of Directors of the Company, and 18% by 華翔集團股份有限公司 (Huaxiang Group Co., Ltd.\*), which is ultimately and beneficially owned by Mr. Zhou Minfeng's family members. Ningbo Huayou Properties is therefore a connected person of the Company under the Listing Rules. Accordingly, the purchase of the Office Units I by Ningbo Huazhong Plastic from Ningbo Huayou Properties constitutes a connected transaction for the Company under the Listing Rules.

As at the date hereof, Changchun Huayou Properties is owned as to 49% by Mr. Zhou Minfeng and 51% by Ningbo Huayou Properties. Changchun Huayou Properties is therefore a connected person of the Company under the Listing Rules. Accordingly, the purchase of the Office Units II by Changchun Huateng from Changchun Huayou Properties constitutes a connected transaction for the Company under the Listing Rules.

Given Ningbo Huayou Properties and Changchun Huayou Properties are associates of Mr. Zhou Minfeng, the connected transactions in relation to the purchases of the Office Units shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

Since the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules calculated with reference to the purchases of the Office Units are, in aggregate, over 0.1% but less than 5%, the connected transactions in relation to the purchases of the Office Units are subject to the annual review and all disclosure requirements but exempt from the independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

Resolutions of the Board in respect of the purchases of the Office Units were passed on 24 October 2014. Mr. Zhou Minfeng and Ms. Lai Cairong, the mother of Mr. Zhou Minfeng, having material interest in the transactions, are required under the Listing Rules to abstain from voting. Both of them did not attend the board meeting approving such transactions and therefore did not vote for the relevant resolutions.

## **GENERAL INFORMATION**

The Company is principally engaged in the manufacturing and sales of automobile internal and external structure and decorative parts, moulds and tooling, casings and liquid tanks of air conditioners and heaters and other non-automobile products.

Ningbo Huazhong Plastics and Changchun Huateng are principally engaged in the manufacturing of plastic automobile parts, with products including automobile air conditioner plastic shell body, automobile interior and exterior decorative and trim parts, and engine parts and components.

Ningbo Huayou Properties and Changchun Huateng Properties are principally engaged in the development, sale and purchase of real property.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the following meanings:

“Board”	the board of Directors
“Changchun Huateng”	長春市華騰汽車零部件有限公司(Changchun Huateng Automobile Parts Co., Ltd.*), a company established in the PRC with limited liability on 22 July 1997 and a wholly-owned subsidiary of our Company
“Changchua Huayou Properties”	長春華友置業有限公司(Changchun Huayou Properties Co., Ltd*), a company incorporated in the PRC with limited liability and is owned as to 49% by Mr. Zhou and 51% by Ningbo Huayou Properties
“Company”	Huazhong Holdings Co. Ltd., a company incorporated in the Cayman Islands with limited liability whose securities are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Ningbo Huazhong Plastic”	寧波華眾塑料製品有限公司(Ningbo Huazhong Plastic Products Co., Ltd.*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Ningbo Huayou Properties”	寧波華友置業有限公司 (Ningbo Huayou Properties Co., Ltd.*), a company incorporated in the PRC with limited liability, owned as to 82% by Mr. Zhou Minfeng, the chairman of the Board of Directors of the Company, and 18% by 華翔集團股份有限公司(Huaxiang Group Co., Ltd.*), which is ultimately and beneficially owned by Mr. Zhou Minfeng’s family members
“Office Units”	collectively, Office Units I and Office Unites II
“Office Units I”	Flats 1-1, 2-2, 2-3, 2-4, 7-1, 7-2, 7-3, 9-2 and 9-3, Block 3, Lot III-7-D2 in Gaoxin District, Ningbo, Zhejiang Province, PRC

“Office Units II”	Flats 1502 to 1508, Block 11, Jingyue Development Zone, Changchun, Jilin Province, PRC
“PRC”	the People’s Republic of China, but for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement I”	the sale and purchase agreement dated 24 October 2014 entered into between Ningbo Huazhong Plastic and Ningbo Huayou Properties in relation to the purchase of the Office Units I, details of which are set out in the section headed “Principal Terms of the Sale and Purchase Agreement I” of this announcement
“Sale and Purchase Agreement II”	the sale and purchase agreement dated 24 October 2014 entered into between Changchun Huateng and Changchun Huayou Properties in relation to the purchase of the Office Units II, details of which are set out in the section headed “Principal Terms of the Sale and Purchase Agreement II” of this announcement
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*\* For identification only*

*For the purposes of illustration only, the exchange rate of HK\$1.00 = RMB0.8 has been used for currency translation. No representation is made that any amount in RMB has been or could be converted at the above rate or at any other rates or at all.*

By order of the Board  
**Huazhong Holdings Company Limited**  
**Zhou Minfeng**  
*Chairman*

Hong Kong, 24 October 2014

*As at the date of this announcement, the executive directors of the Company are Mr. Zhou Minfeng and Mr. Chang Jingzhou; the non-executive directors are Ms. Lai Cairong and Mr. Wang Yuming; and the independent non-executive directors are Mr. Yu Shuli, Mr. Tian Yushi and Mr. Xu Jiali.*